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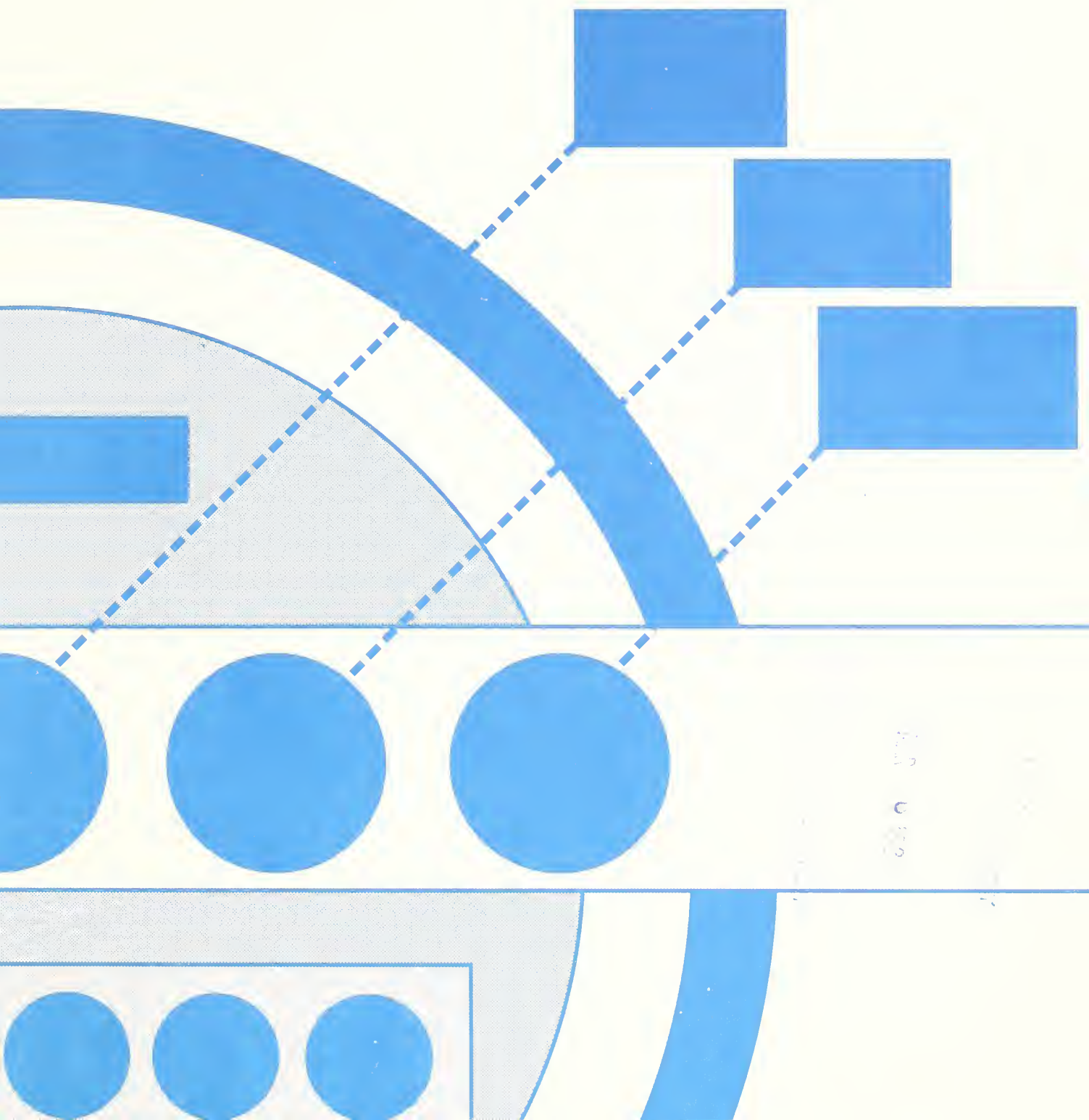


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# Membership: An Organizational View



## MEMBERSHIP: AN ORGANIZATIONAL VIEW

Thomas W. Gray, Ph.D.  
Cooperative Services Division  
Agricultural Cooperative Service  
Washington, DC 20090-6576

This study examines the membership structure of a large centralized cooperative from an organizational workability view. Structure is created by dividing membership organizationally, i.e., assigning different roles and tasks to different groups of members, as well as to individual members, and bringing coordination to these differentiations. The membership structure of the case cooperative was found large in number of members, highly differentiated, and well coordinated. The structuring, i.e., creating a division of labor among the membership, and the coordinating of these divisions is done in response to conditions in the membership environment.

**Key words:** Cooperative, organization, paradigm, specialization, coordination, complexity, stability/instability.

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## Preface

The purpose of this study is to examine membership structure of a large agricultural cooperative from an organizational view. Its intended audience is social and economic researchers and those involved directly in the design of large cooperative membership structures. Therefore the report is fairly technical in style and intended to serve as a valuable resource for a relatively specialized group of individuals. The report was written as a part of a larger study examining both organizational workability and democratic aspects of membership structure. The democratic analysis has since been published as Structuring for Member Control in Large Cooperatives, Research Report 72, and may be obtained from the Agricultural Cooperative Service (ACS), USDA, Washington, DC 20090-6576. The report at hand entails the organizational analysis. Data have been updated to the most recent available.

The report lays out a framework for analysis, presents case study information, analyzes the case study from an organizational view, and makes recommendations. The paper uses a contingency theory perspective. This view holds that the shapes organizational structures take are heavily influenced by environmental conditions surrounding the organization.

The reader should note the report presents new, perhaps awkward terminology for the first-time user. The author's intent is to contribute to a systematic and more rigorous understanding of membership. While various events have led to the development of highly complex cooperative operations, development of membership structures has lagged. To develop new strategies for member control in changed environments, the concepts and language of analyses must develop as well.

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## Highlights

Membership of a cooperative can be examined with a focus on the organization rather than on the individual. This approach does require new language and new ways of thinking.

Organizations generally are formed to pursue (and reach) goals and objectives. Goals and objectives frequently are most easily reached by specializing tasks and dividing them among available workers (members). Goals and objectives cannot be reached unless specialized tasks are coordinated.

Organizations function within environments. Environments may be, among other things, simple or complex, stable or unstable. Organizations must adapt to their environments to reach their goals and objectives. Cooperative membership structure is a type of organization. Cooperative membership structure has at least two environments, members and management. Unpredictable circumstances, termed "instabilities" within these two environments must be planned for through appropriate structures designed into the cooperative organization.

The membership structure of the case study cooperative specialized its member environment with 131 geographic districts, 6 geographic division boards, and 6 geographic resolutions committees. It coordinated its member environment with an association board of directors, an association resolutions committee, and a delegate body. Specialized committees on hauling or transportation, quality premiums, and member relations were found within division or association boards.

The cooperative membership structure of the case study cooperative specialized for its management environment with finance, marketing, management evaluation, and member and public relations committees. It provided for coordination through the association board of directors.

Planning for and management of instabilities in the member environment were handled through (1) the association board president's ability to call additional meetings and to form ad hoc committees beyond those specified in the bylaws; 2) division board chairpersons' ability to call division board meetings and form ad hoc committees beyond those specified in the bylaws; 3) redistricting committees' ability to meet with as few as 50 member signatures; and 4) districts members' ability to meet more often than their official annual meeting.

Planning for and management of instabilities in the management environment were handled through 1) monthly meetings of the association board, and the association board president's ability to call special meetings of directors at any time, or to form ad hoc committees; 2) the availability of the executive committee for consultation if necessary; 3) keeping committee sizes small in number of members; and 4) structuring certain association and division level committees such that managers sit on the committees as information providers.





# Membership: An Organizational View

Thomas W. Gray, Ph.D.  
Rural Sociologist,  
Agricultural Cooperative Service  
U.S. Department of Agriculture

## OVERVIEW OF THE ORGANIZATIONAL VIEW

Membership structure within a cooperative tends to emerge rather gradually and slowly. Language and research around its development are meager [see Butler, Gray]. This report will give greater currency to the language of organization as it applies to membership structures, to concepts the language represents, and to the reasoning underneath how structures get developed as they do. Greater exposure to the language, the concepts represented, and the reasoning of structural development should help directors, researchers, and others understand member structure and its organization.

Historically, member research has looked at farmers; how to get them to meetings, involved in officeholding, patronizing, etc. This report looks at membership from the view of the organization. As stated, little has been done on how to structure membership. Yet with mergers, acquisitions, and expansions, the size of membership bodies has increased dramatically. Problems have outgrown solutions. New approaches to new problems are needed.

### The Concept of Organization

Organizations develop and evolve out of two dynamics—specialization and coordination. People come together, or are brought together, to pursue certain goals and objectives. Behaviors and activities are specified, sometimes narrowly, sometimes broadly. Several people may do the same jobs in different locations; a few people, or a lot of people, may do narrowly defined jobs independently or together. Somehow, and in some way, a division of labor occurs.

Coordination must occur as well. Specialization allows some tasks to be completed

more efficiently, coordination brings tasks together in an overall pursuit of organizational goals. The interplay of these two tendencies defines organizational structure and how it changes. "The structure of an organization can be defined simply as the sum total of the ways in which it divides its labor into distinct tasks and achieves coordination among them" (Mintzberg, p.3).

Why does structure change? Why do divisions of labor occur?

The character of specializations, and the coordination that must occur, is often influenced by an organization's environment. All organizations exist and function in environments—economic, political, cultural, and physical. Organizations can meet goals and objectives most easily when influences in their environment are unchanging and predictable. When change occurs, uncertainty results, and old ways of doing things may no longer be appropriate<sup>1</sup>. This report will suggest how cooperative members get organized into structures for coping with change and how structures themselves change in response to two basic environmental pressures, complexity and stability or instability.

Complexity refers to the manageability of problems facing an organization. Can problems be handled in a straightforward manner, or do they need to be subdivided in some fashion? Are the demands so great in number that they overburden an organization so that nothing can be

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<sup>1</sup>"Technology, government policy, world trade, peace and war, markets, and agriculture all contribute to the powerful forces that propel all businesses, sometimes at breathtaking speed..., toward changing structure (size, function, product lines, linkages within and outside the organization)" (Cobia, Ingalsbe, and Vilstrup: p. 367-68).

done? Are they so complicated, technical training is required to resolve them? The first set of problems will be referred to as quantitative complexity, the second technical complexity.

Stability or instability refers to the ability or inability to predict conditions of the future. They refer to the speed with which change in the organizational environment occurs. When a cooperative works in a stable environment, the time and nature of demands basically are known, or at least are roughly predictable in character and occurrence. In an unstable environment, events occur very rapidly and are not predictable. Organizations must remain flexible to adapt quickly to new circumstances.

Organizational structure is composed of various components and options. They include: 1) delegations of authority, 2) departmentalization, 3) job specialization, 4) standardization of information flows, and 5) ad hoc and formal communication alternatives. These options can be used in various ways as accommodations to environmental pressures.

Table 1 presents the various organizational options and corresponding environmental pressures. The next section explains how these organizational options are used in response to the conditions of complexity and stability. Following that is a description of a case cooperative and a critique of the case cooperative from the organizational perspective. Overall, the report will continue to lay out the organizational view of membership.

## Organizational Components

**Delegations of Authority**—Delegation of authority is used in response to environmental complexity, both quantitative and technical complexity. When applied properly, delegation of authority delivers coordination.

When U.S. farmers moved from subsistence production to surplus production, from producing quantities of products sufficient for their own needs, to quantities far beyond what they could possibly consume on their individual farms, they were met by a series of problems. Farmers could not always be sure of a market for their products or availability of crucial supplies and services. Pooling their market needs (either for inputs or outputs) to generate commercially viable volumes became a frequently used alternative—usually taking shape in cooperative organization.

When cooperative organization occurs, new types of problems are encountered. While many farmer needs will overlap, all will not, some will be contradictory, and others will be unique to individual farmers. For an organization to be effective, it must draw out what is common among the needs of individual farmers. Within the cooperative organization, farmers must establish procedures to serve their collective, as opposed to individual, requirements. Coordination must occur through a legitimately determined process.

“Authority is the power to decide what is to be done, by whom, and to what standard” (Chapman et al., p. 49). Members delegate authority to a board of directors via an election process. With these delegations, an organizational form takes shape, and diversity among the several members is resolved. The board, as a body, assumes authority and responsibility for managing the cooperative, bringing coordination to the several different member interests.

Ginder and Deiter (p. 319) suggest a table for laying out sources of authority within a cooperative and how authority is delegated (table 2). All authority originates with the members and is selectively delegated to the board of directors. The board may in turn delegate authority to a hired manager for handling operational aspects of the cooperative. And the hired manager may further subdivide and delegate to his/her employees. These original delegations give the

**Table 1—Structural design strategies**

Sources of Uncertainty	Structural Design Options
Diversity (or quantitative complexity)	Departmentalization (or Horizontal Differentiation)
	Delegation of Authority (Vertical Differentiation)
Technical Complexity	Job Specialization Delegation of Authority
Stability/Instability	Standardization of Information Flows
	Ad hoc and Formal Communication Alternatives

Note: Adapted from Bulter, 1988:8

**Table 2—Delegations of authority<sup>1</sup>**

Authority group	Authority	Accountability to
Members	All authority not delegated in the articles and bylaws to directors	Themselves
Board of directors	All authority not delegated to the general manager as day to day operational authority	The membership and the State/Federal government
General manager	All authority not delegated to the department heads	The board of directors
Department managers and employees	All authority not delegated to the departmental employees	The general manager

<sup>1</sup>Modified from Ginder and Deiter, p.319.

cooperative organizational shape, creating different groups of actors within.

Delegation to the board is clearly in response to quantitative complexity, reducing the number of possible demands individual farmers might make and bringing coordination to their common interests. Delegation to management is also a response to quantitative complexity. Board members are farmers with their own farm businesses to run. They generally cannot be available to perform the range of tasks associated with daily operations of the cooperative. Furthermore, the board members have their authority as a part of the group. To require committee decisionmaking as to countless operational details would severely hamper organizational effectiveness.

A division of labor into a direction and goal identification component (the board and members) and an operations or methods component (management and employees) simplifies the overall task of the board. Hired managers in turn subdivide their delegated authorities and responsibilities, assigning them to appropriate subordinates.

Delegations to hired management can also be in response to technical complexity. Historically, agricultural cooperatives have been small organizations, providing few, easily understood services for local farmers in local markets. The operations component of the organization might only involve weekly, monthly, or even seasonal management. Under these circumstances, a board of directors member might serve as both director and hired manager.

However, many cooperatives have grown into large and complicated organizations.

Environments are no longer simple. Products and services are many and varied. Management likely requires specialized knowledge and full-time attention to operations. Hiring a full-time professionally trained manager with delegated authorities may be necessary to bring coordination and interpretation to an environment that is technically complex and difficult to manage.

**Departmentalization**—As previously stated, organizations have various and several demands placed on them. To help sort out and homogenize demands, an organization can be split into departments. These departments specialize in handling a narrower range of problems than those faced by the entire organization.

When delegations of authority are made from directors and members to a hired management, the concept of departmentalization is established within the organization. At the most basic level, this departmentalization may be defined along the direction and goal identification function and the operations and methods functions of a cooperative. These really are organizational departments with separate tasks and located in separate places within the structure.

Different logics can be used in creating departments. The split between members/directors and management/employees is by function. Each group is doing something different for the organization. Further splits can be made by product, market, geography, or client group. Some examples of operational structures are illustrated in figures 1, 2, and 3.

Figure 1 depicts a cooperative departmentalized predominantly by geographic location and



function. Functionally, it is split into operations and administration. The operations function is divided, in turn, by geographic location, e.g., Region I and Region II. Each region is further departmentalized by local geographic site.

Figure 2 illustrates a cooperative predominantly departmentalized by product. Departments include fertilizer, lumber, feed, eggs, oil, hardware, and even auto sales. Figure 3 presents the operations structure of a cooperative departmentalized by product—petroleum, feed, and crops—with geographic location used within product lines.

Each department is separated from the others and has separate delegation of authorities—though departments can be created without delegated authorities.

When several departments are created, the organization is strung out horizontally (*termed horizontal differentiation*) (see table 1). Demands are simplified by creating organizational units that are specialized to handle more focused groups of problems. However, these departments must be coordinated in order for their end results to contribute to overall objectives of the organization. Coordination must occur or the organization will fall apart.

Overhead departments must be created to bring about cohesion and organizational purpose. For example, figure 1 shows the “director of operations” integrating activities for Regions I and II. The Region I manager brings activities together from his or her respective local sites, as does the Region II manager. The general manager brings overall coordination to the organization. One can find similar coordinating positions illustrated in figure 3. These positions add height to organizational charts and are termed *vertical differentiation*. They in effect are responses to the quantity of demands within the organization itself.

Specialization by departments tends to string an organization out horizontally. Coordination by departments tends to build an organization vertically.

**Job Specialization**—“Individuals are generalists when their jobs involve a large number of broadly defined tasks, problems, or issues, whereas they are specialists when a small number of rather narrow tasks and problems occupy most of

their working time” (Van de Ven, p. 210). Job specializations are used when environments are hard to understand technically or when there is a good deal of technical complexity.

Job specializations generally are developed within departments, focusing on departmental duties within the confines of delegated departmental authorities. They are assigned to particular positions to be filled by individuals. Authority to make final decisions may or may not be delegated to individual positions. Given their technical skills, training, and access to scarce and critical information, job specialists can simplify complex situations and help an organization make appropriate decisions <sup>2</sup>.

**Communications design: standardizations or ad hoc**—“Standardization is the extent to which organizational activities are routinized. Standard procedures include official arrangements which are either formal (documented in writing), regular, or customary (repeated behavior occurring at prescribed time intervals)” (Butler p. 36). Examples are strict rules, formal meetings at prescribed times, standard operating procedures, etc.

When a cooperative works in a stable environment, the time and nature of demands on the organization are known or at least fairly predictable in character and occurrence. In an unstable environment, events occur rapidly and are less predictable. Standardizations work best in environments that are stable.

When events are highly unstable and changing rapidly, decisions must be made quickly or opportunities to act are missed. Provisions must be made to allow more information to be passed in shorter periods of time. Organizations must remain flexible to adapt quickly to new circumstances.

Development of ad hoc and formal communication alternatives can help improve flexibility in a structure, allowing for unexpected changes to occur. Examples of ad hoc decision options

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<sup>2</sup> The term “experts” is being used rather loosely to refer to anyone having the opportunity to access necessary and critical information, be it due to training, time, or experience. In a cooperative, farmer-members are experts on member needs.

**Figure 1—Organizational Structure Example<sup>1</sup>**

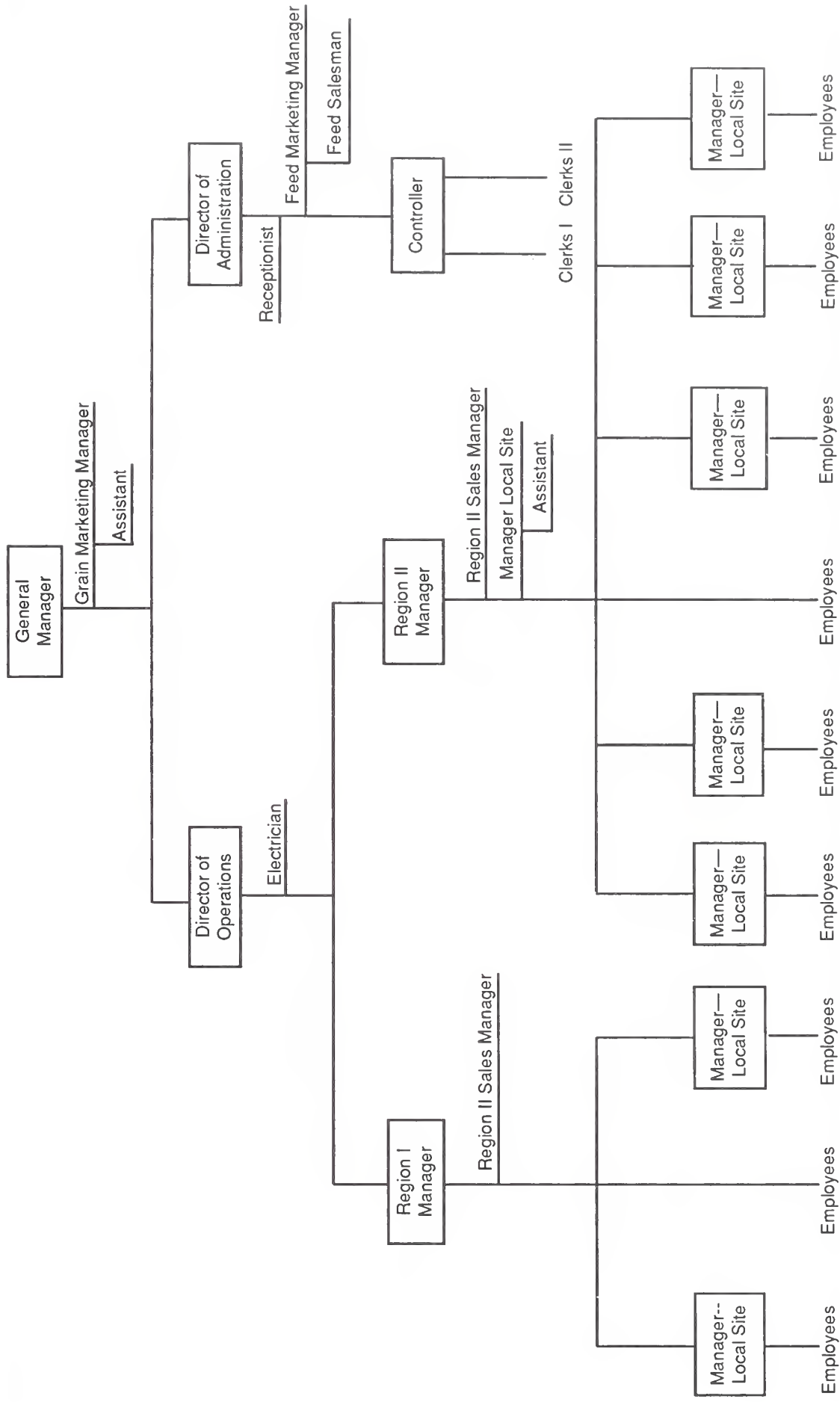
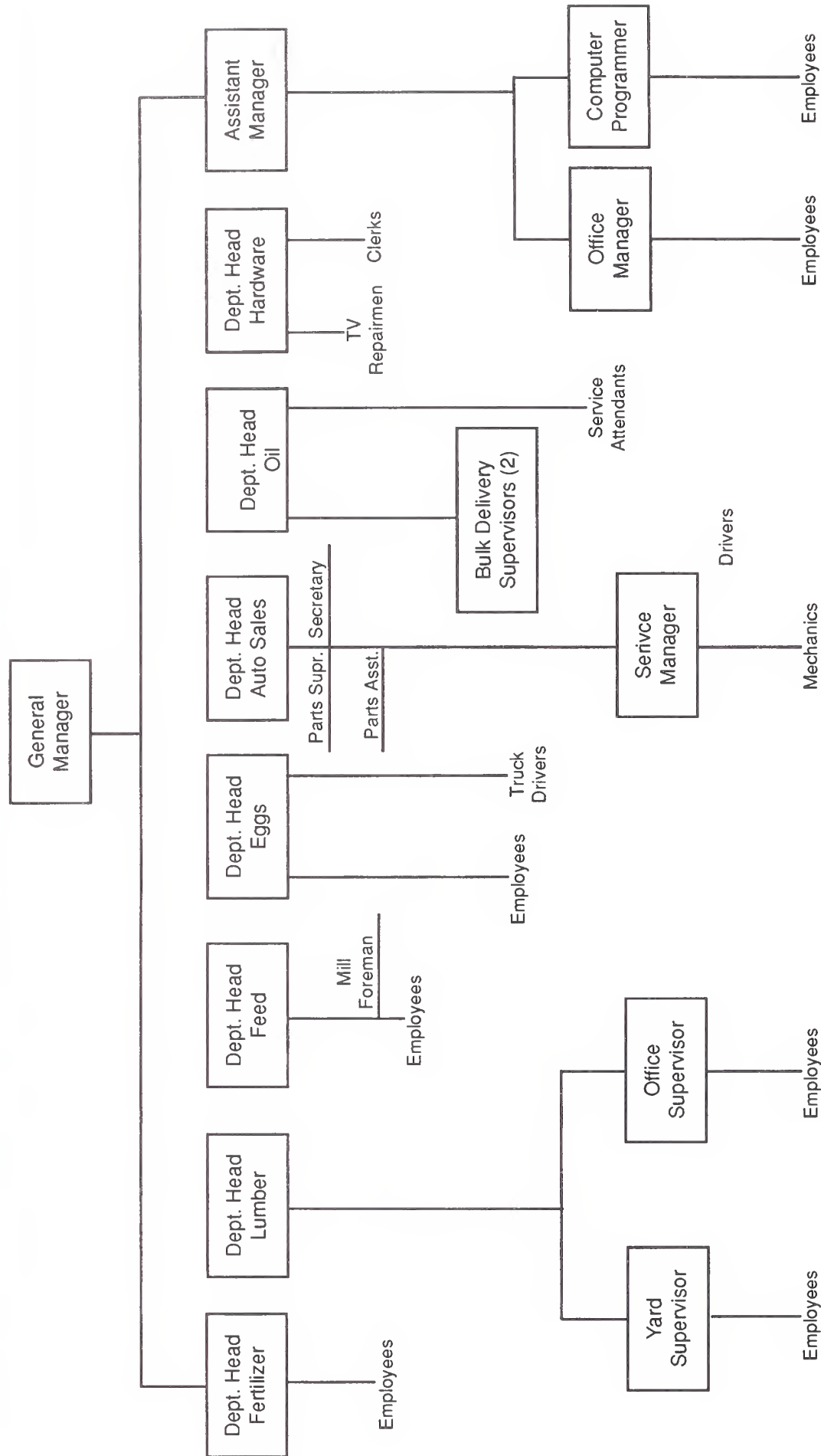


Figure 2—Organizational Structure Example<sup>1</sup><sup>1</sup>(Bulter, p. 25)





would include temporary committees formed to handle specific one-time problems, or survey instruments to assess members' views on specific issues. Formal communication alternatives could include permanent committees and positions that bypass, at least under certain conditions, other sub-structures within the organization. Such alternatives can put stakeholders in better contact with decisionmakers.

To summarize, it is seen that high degrees of complexity and instability can lead to a great deal of confusion and indecision among organizational problem solvers. Goals and methods for achieving them can become vague or unclear. In table 1, it is shown that complexity calls for job specialization and delegations of authority to respective specialized positions. The response to quantitative complexity can be horizontal departmentalization and delegations of authority. If several departments are created, vertical positions must be created to coordinate horizontal aspects of the organization. Job specializations generally occur within departments and typically do not involve activities beyond departmental boundaries. Standardizations work best when environments are stable, ad hoc communications when environments are unstable.

In the following sections of this report, a detailed description of a large dairy cooperative membership structure is presented. The concepts in table 1 are then applied to the case study cooperative.

## **FARMERS' DAIRY COOPERATIVE**

Farmers' Dairy Cooperative (FDC) is a large centralized dairy cooperative. ("Farmers' Dairy Cooperative" is a fictitious name to protect confidentiality of the case study cooperative.) It came into existence with the merger of several cooperatives in the late 1960's. The cooperative was a \$1.8 billion "Fortune 500" company in 1989, with 10,000 members and 7 billion pounds of annual milk production. It is a leader in production, as well as processing and marketing. Its membership area covers parts of 12 States, from Texas to Minnesota, and from Illinois to Nebraska. Its processing facilities encompass even greater territory stretching from Kentucky to Idaho. Its basic mission is to act in the interests

of its members to guarantee a market for milk at the highest possible price.

Figure 4 presents the organizational membership structure of FDC. The reader will recall that organizational structure is the sum total of ways labor is divided up and then coordinated. Figure 4 represents the division and coordination of members and member representatives<sup>3</sup>.

Four distinct vertical representation levels are presented: the district level, the division level, the delegate level, and the corporate or association board level. Vertical levels generally are designed to provide coordination and integration, and involve delegations of authority.

### **Districts**

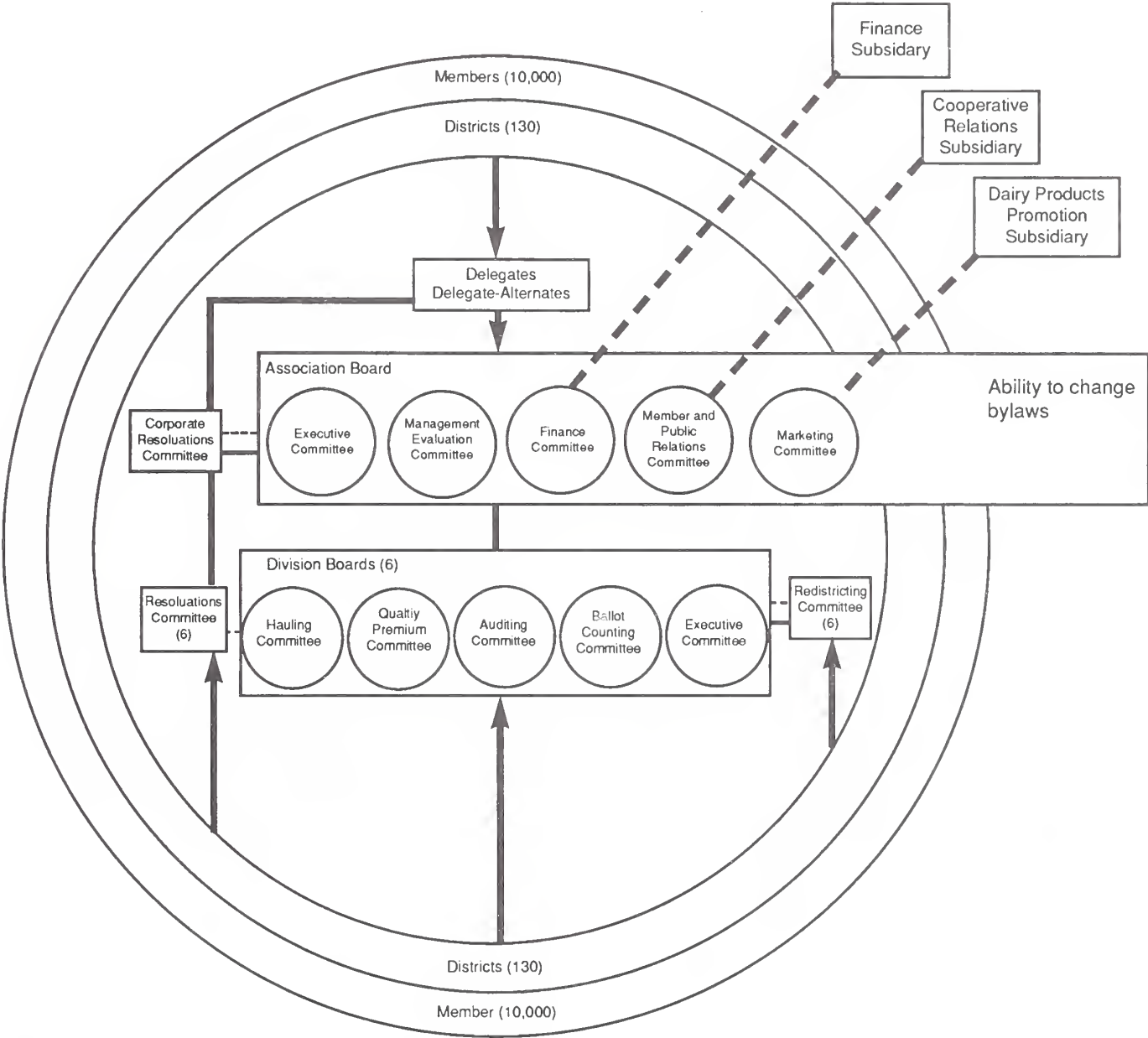
The district level is composed of 131 geographic districts. Districts average 73 farmers. Farmers are members of their respective district by virtue of their farm location. Officers include a district chairperson, a vice-chairperson, and a secretary. Each is elected for a 1-year term. There is no limit on the number of terms a member may serve. The chairperson conducts one annual meeting of district farmer-members, determining time, location, and arrangements in the process. The vice-chairperson acts in the chairperson's absence. The secretary keeps records of meetings and certifies results of elections. No member may hold more than one of these offices simultaneously. A second meeting of district officers may be held, though this is not universal. Districts in one division use nominating committees. In these districts, the chair has the additional authority of appointing a nominating committee 30 days prior to the annual district meeting.

Besides the three elected offices, district members also elect farmers to serve on a division

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<sup>3</sup>In representing members and their board structurally on paper, there is always some question whether to place the members above the board or the reverse. Generally, placement is determined by whether the author wished to emphasize the origins of authority or breadth of decisionmaking. A circle is chosen here to portray a sense of member containment of the cooperative, with authority delegated into progressively broader levels of decisionmaking. A fuller explanation of a containment method of charting is presented in Gray and Butler (p. 9-16).

Figure 4—Member Control Chart Using Containment Method



board, a redistricting committee, a division resolutions committee, and a delegate body. (See figure 5 for an outline of positions elected out of each district.) The district chairperson also serves as a delegate upon his or her election as chairperson. In districts where only one delegate is elected, a second member may be elected as the delegate and the chair serves only as district chair. The district vice-chairperson and the district secretary, as well as the elected redistricting committeeperson, can also be elected as delegates. However, the division director, and the resolutions committeeperson, may hold no other elective positions from the district. Delegate-alternates, and resolutions committee-alternates are also elected. They serve only in the event the elected delegate and elected resolutions committeeperson cannot serve. They are also limited to the same multiple-office-holding limitations.

Division directors, redistricting committees, delegate bodies, and resolutions committees have responsibilities beyond the district level. Each will be explained below. The resolutions committee structure will not be discussed in detail until the entire membership structure is presented.

## Divisions

The second vertical level is the division level. Division directors elected from the districts serve on the division boards. One division director is elected for each district. There are six divisions (table 3).

Division directors are elected for 3-year terms and can serve an unlimited number of terms. One-third stand for election each year.

The division board elects a chairperson, a vice-chairperson, and a secretary from its own number. An annual reorganization meeting of each division board must be held after completion of all district elections. Regular meetings of the division board must be held at least each quarter. Most division boards hold meetings 10 times a year, some 12 times a year. If necessary, additional meetings of the division board may be called by the division board chairperson.

Division board meetings are of an official nature and decisions reached carry weight of duties delegated to them. These meetings are not open, but any member may attend upon request. The general manager and other management personnel from the respective region attend division board meetings and provide reports from the operations side of the cooperative.

Once or twice a year, an executive session, open only to board members, is held at these meetings. The performance and actions of top management personnel are evaluated during these sessions, with management available for comment and feedback.

Most divisions hold an annual information meeting for members. Reports from management and officers are given, but no official decisions are made.

**Division Authority and Responsibilities**—Division boards hold a broad set of responsibilities, defined in the bylaws and other cooperative documents. These include:

1. Approving membership applications to be effective on the date the application was initiated.

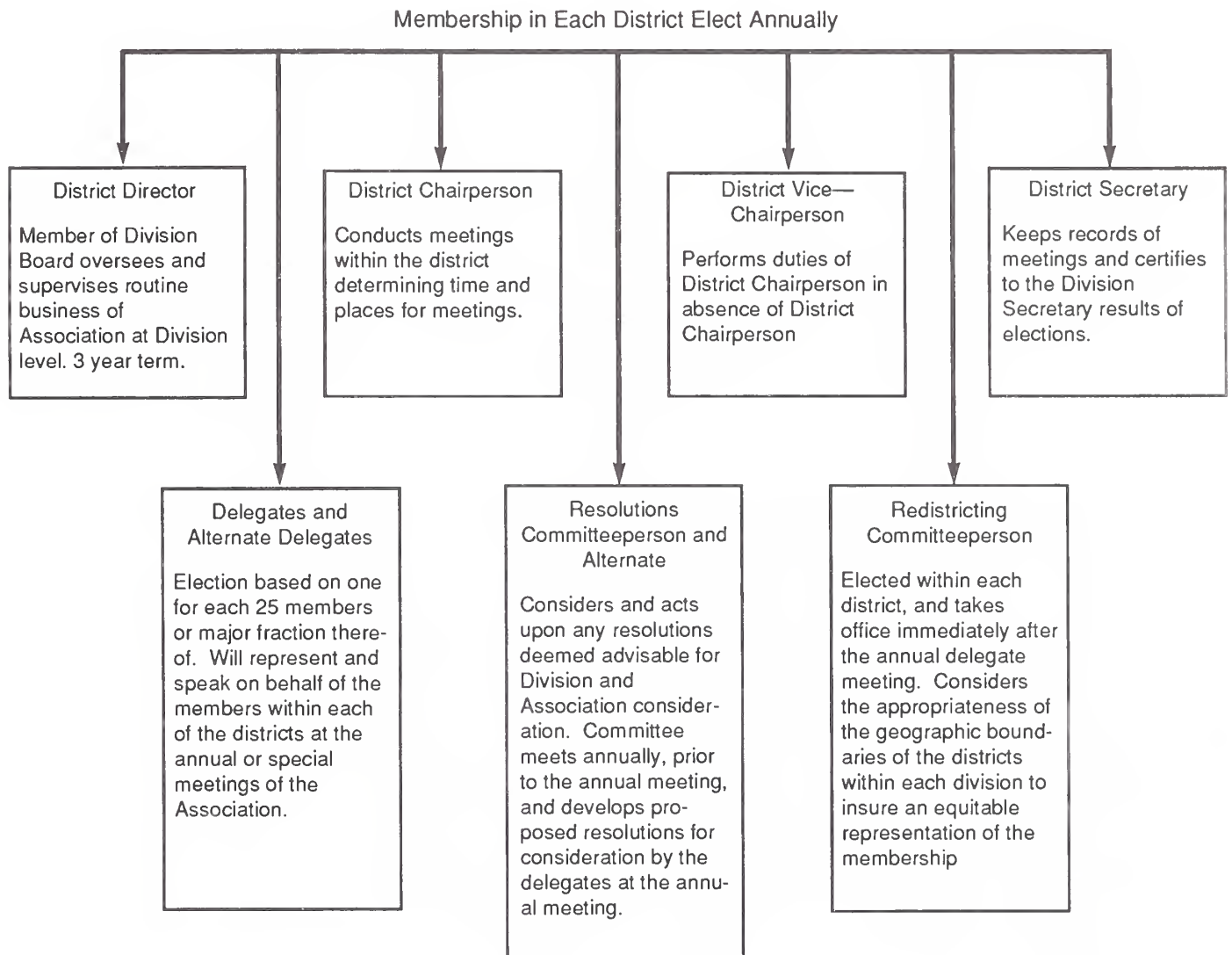
**Table 3—Allocation of association directors by membership size, 1990**

Division	Districts	Division directors	Total members district	Members per district	Volume per
					..... million pounds milk .....
A	23	23	1,146	50	71.9
B	20	20	1,167	58	80.7
C	15	15	787	52	49.5
D	28	28	2,588	92	217.1
E	21	121	1,532	73	99.9
F	24	24	2,394	100	144.1
TOTAL	131	131	9,614	73	663.2

Note: Volume is from April 1990

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**Figure 5—Positions Elected From Districts**





2. Directing a letter upon acceptance of membership applications to the new members, enclosing a copy of the bylaws, the contract, and a brochure explaining the organization of the cooperative.

3. Committing the association for membership in local organizations and making contributions for such items as local charity drives, fairs, farm and dairy organizations, or other business organizations or service clubs for individual amounts within policy limits; recommending individual amounts in excess of policy limits for approval by the cooperative.

4. Retiring the equities of deceased members.

5. Recommending membership in specific organizations or associations subject to approval of the corporate or association board.

6. Holding such meetings, in addition to those required by the bylaws, as may be necessary to carry out the policies of the division and the cooperative. Notification of any special meeting is forwarded to the president and executive vice president-general manager of the cooperative.

7. Authorizing administration of employee relations program for the division, including but not limited to review of union contracts, general awareness of wage levels, insurance, retirement plans, other benefit programs, working conditions and morale; carrying out these activities in accordance with basic personnel policies of the case cooperative, as coordinated by the cooperative's vice-president of human resources.

8. Authorizing administration of the milk collection in the respective division territory. Administration can include relations with haulers, the assignment or removal of haulers, the establishment or changing of haulers' rates, and any other activity dealing with the collection of milk from individual members, and the delivery of such milk to designated handlers. All such activities will be accomplished in accordance with the cooperative's policy on milk collection.

9. Authorizing administration of the association's policy concerning press and radio relations. All such activities will be carried out in accordance with the communications policies of the cooperative as coordinated by the cooperative's director of communications.

10. Developing, preparing, and submitting to the association board appropriate plans for legislative activities in their respective areas. The association board will develop an overall legislative policy using the division as the basis for implementing local and regional legislative activities, with national legislative activities to be carried out by the association board.

11. Authorizing administration of a day-to-day fluid milk marketing program including but not limited to relations with the handlers, relations with the health department, the initiation and supervision of a quality program and other activities consistent with a regular marketing program for fluid milk. Directorships, committee assignments in the United Dairy Industry Association, American Dairy Association, or Dairy Council that are based upon geographical designation are the responsibilities of the appropriate division. Those positions apportioned on a basis other than geographical location will be selected by the association board.

12. Authorizing a division publication to report on division activities, and in accordance with the cooperative's communications policies.

13. Administering the following procedures in voting under Federal orders:

a. A ballot will be cast by the appropriate vice president as authorized by the division or association board on those matters requiring emergency action, and the matter later will be discussed, substantiated, and confirmed by the division board.

b. Amendments of a more substantive nature will be considered by the appropriate division board of directors and a resolution empowering the vice president of that division to ballot for or against such amendments will be made prior to the time a ballot is cast on any such amendment.

14. Accepting such other responsibilities as may from time to time be assigned to the division board of directors by the association board, such as disposal of surplus property, land, buildings, and equipment.

**Division Committees**—A number of committees function at the division level. They include 1) redistricting committees, 2) division resolutions committees, 3) quality premium committees, 4) hauling committees, 5) a ballot counting commit-

tee, 6) auditing committees, and 7) a division board executive committee. The latter five committees are non-elective.

The representatives on the redistricting and resolutions committees are elected. As stated, each district elects one committeeperson to serve on each of these committees. There is one redistricting committee, and one division resolutions committee for each division. The number of members on these committees is equal to the number of board members in each division. Resolutions committee members serve 3-year terms. Redistricting committee members serve 1-year terms. Members on both committees can serve an unlimited number of terms.

The redistricting committee must meet at least once every 3 years. It can meet more often than that at the request of the division board or by petition of 50 division members. The division resolutions committee meets at least once a year. The division chairperson appoints a division board member to chair each committee. This committee chairperson has no vote and is responsible only for arranging the time, place, and conduct of the meeting.

Redistricting committees are charged with aligning district lines within their respective divisions. The committees are to equalize district sizes as far as feasible, based on number of members included in each district, with some consideration given to volume of milk produced. The precise policy statement mandated is:

*All divisions except Division F shall establish district boundaries so as to encompass no less than 45 nor more than 140 members and/or no less than 2.3 million nor more than 5.0 million pounds of member production for the month of April. Provided, however, that 20 percent of the districts within the division not be required to fall within these ranges [sic]. Division F shall establish District Boundaries in an equitable manner.*

These limits standardize size by membership and/or volume. Standardizations of this type are an attempt to approximate equality in representation. Small districts by membership size would give those respective members more representation than members in large districts.

The elected members would simply have fewer members to serve in their respective districts. The 45 to 140 member standard sets a limit on the extent of the possible inequality.

Volume standards are also used as a way to equalize representation. Without these standards, large-volume milk production areas could possibly be under-represented relative to small-volume areas. However, in the cooperative's policy there is no necessary tie between the two standards, such that a small number of large-volume producers are given more representation. It is important to note that while volume can have an influence on size of district, each member has one vote, and each division director has only one vote, irrespective of district size by member or volume.

One division has considerable latitude in determining district sizes, "in an equitable manner." Exception has been made for this division (upon request of the division) due to the high geographic density of farm units in the region. Further, policy does provide for variation in district size not only by number of members and/or by volume, but also by market, geographical, historical, or other considerations.

A general manager of operations and a member relations specialist from each region involved, sit on the redistricting committee. Their role is strictly advisory. It is part of the division board's responsibilities to either approve or disapprove of the redistricting committee's recommendations.

Discussion of resolutions committee duties can best be handled when all other features of the membership structure are presented. Both the resolutions and redistricting committees have certain mandates separate from the division board. These committees must exist, meet within prescribed times, and take up issues as prescribed in the cooperative bylaws. They are composed of members elected by the general membership.

The remainder of the committees at the division level are purely advisory. There is no member mandate or bylaw requirement for the committees to meet or even exist. They are composed of division board members and serve at the pleasure of the division board that appointed them.

Three divisions use quality premium committees. Positions are filled by appointment of



the division chairperson. Appointees generally are division board members, though in one division half are division board members and half are farmer-members. These committees are relatively small, from five to six farmers. A marketing operations person is always in attendance at premium committee meetings. The functions of these committees vary considerably among divisions and committees. In general, they determine standards used to judge premium milk quality. Farmers meeting these quality standards receive a financial bonus for milk delivered. Committee members may also determine minimum and maximum price bonuses that may be paid for premium milk. It is important to note that committee actions are only recommendations to the full division board and do not represent final policy. Where quality premium committees are not used, the division board handles these questions directly, again in close consultation with management.

Hauling or transportation committees are used in some of the divisions. In the most active committees discussion is given to establishment of rates, rate changes, and contracting and termination of haulers. Others handle only complaints. Some meet monthly, others only when a problem has been reported. Like the quality premium committee, this body serves in an advisory capacity. Committee actions are subject to full division board approval. A management representative sits on the committee and provides advice. Committee members are appointed by the division chairperson. Members generally will be division directors, though not necessarily. In some committees, all members located on individual routes are members of their respective hauling committees.

One division elects its directors through a formal mail ballot process. Directors from this division instituted a balloting process after observing poor turnouts at district meetings. To implement this process, a ballot counting or teller committee was formed. This committee's duties include counting ballots and reporting results to the division board and nominated directors. Members of this committee are appointed by the division chairperson. Generally, they are other division directors, but never directors up for re-election. They perform their role once a year.

Two division boards use an audit committee. Division directors are reimbursed for their expenses when they represent the cooperative at official meetings. The audit committee is composed of division board members appointed by the division chair. Its purpose is to review division board members' expense accounts, ensure consistency, and see that appropriate paperwork is done. It meets with the division board at its monthly or quarterly meetings.

One division uses a division board executive committee to appoint chairs to respective resolutions and redistricting committees. It is composed of the division chair, vice-chairperson, and secretary. Other divisions have provisions for such a committee; however, they are rarely invoked. Decisionmaking centers with the full board.

To be eligible for election or to hold office as a division director, an individual must be producing and sending milk to market, and be a member of the cooperative. As soon as a member ceases to market milk through the cooperative, that member is automatically removed from the board (unless cessation has been due to catastrophe and is only temporary). In the event milk marketing ceases, the division chairperson calls for a meeting of district officers in the affected district. From this meeting, a replacement director is to be recommended to the division board. The division board then appoints a replacement based on this recommendation. The division board has the authority to make appointments without district participation, although it is seldom used.

### **The Association Board**

The association board is the third vertical level in the membership hierarchy. According to the bylaws, the association board can vary in size between 17 and 45 members. Each year the association board decides the number of association directors that will serve in the ensuing year. From this number each division is allocated a set number of directors to represent it on the association board, set in proportion to the total number of members in each division. The precise wording in the bylaws states:



*The board shall determine the number of association directors to represent each division on a pro rata basis, i.e., by applying to the total number of association directors the proportion of the number of members in each division to the total number of members of the association, as of last day of the preceding calendar year. The board is authorized to make such reasonable adjustments in fractions that may result from such computation as may be necessary to ensure that the number of Directors representing the various divisions equals the total number of directors determined by the board.*

Thirty-two association board members represent the six divisions. Table 4 presents how directorships are allocated. No consideration is given to volume. Allocations are based strictly on relative number of members in each division, approximating a 1-member, 1-vote relationship. Association directors serve 1-year terms. There are no limits on the number of terms a director can serve.

The association board elects a president, first vice president, secretary, and treasurer from among the 32 directors. These officers cannot simultaneously hold similar positions on the division board. Six additional vice presidents are elected and are usually chairpersons of their respective divisions. The board meets on a monthly basis with its management team. Management reports on financial, marketing, member and public relations, government relations, and other aspects of operations. As with the division board level, there is provision for

executive session where only association board members meet to discuss aspects of management and operations. Management is available on site for comment and feedback. A separate set of minutes is kept at this session.

#### **Association Board Authority and Responsibility—**

The association board exercises general supervision and control over the business and affairs of the association. Supervision and control as established in the organizational bylaws include:

1. Formulating and setting the policies of the association.
2. Making rules and regulations and taking such action, not inconsistent with law or the bylaws, for the management of the business and the guidance of the executive committee, division boards, officers, employees, agents, and members of the association.
3. Determining the boundaries of divisions and locations of operations offices.
4. Selecting the general manager of the cooperative and establishing the salary.
5. Establishing the financial structure of the cooperative and the authorization of any basic change in the structure.
6. Approving and disapproving all capital expenditures by the cooperative.
7. Establishing appropriate divisions and districts and election and voting procedures to maintain the proper representation of patrons so as to ensure the cooperative principle of 1-member, 1-vote. This includes the responsibility of filling vacancies on the board or any other corporate body, committee, or organization that results from resignation, death, disqualification, or some other cause. This also includes mandatory redistricting procedures to maintain appropriate and equal representation in districts.
8. Making decisions with respect to the proper relationship with other farm cooperatives and farm organizations.
9. Making decisions with respect to corporate membership in other organizations, associations, and federations.
10. Establishing the responsibilities and duties assigned to individual division boards.
11. Establishing basic policies with regard to legislative or administrative decision on local, State, National, and international levels that affect the welfare of the dairy farmer.

**Table 4—Allocation of association directors by membership size, 1990**

Division	No. of members	Percent of total membership	Allocation of 32 directors (in fractions)	Rounding-out of director allocation
A	1,146	11.9	3.8	4
B	1,167	12.1	3.9	4
C	787	8.0	2.6	3
D	2,588	26.9	8.6	8
E	1,532	15.9	5.0	5
F	2,394	24.9	8.0	8
TOTAL	9,614	99.7	31.9	32

12. Establishing the framework and procedures for the conduct of the annual meeting or special meetings and the development of a comprehensive public and member relations program.

13. Selecting an auditing service whose responsibility is to the board.

14. Selecting and designating corporation counsel.

Several responsibilities are predominantly exercised by management but subject to direct oversight and review by the board:

1. Establishing the amount and sources of working capital.

2. Establishing the rules and regulations for the issue, transfer, retirement, and registration of certificates of indebtedness or other forms of capital funds.

3. Arranging for the bonding of employees to include the type of coverage and the individuals to be bonded.

4. Managing association revenues with regard to reserves, patronage refunds, and equity retirement.

5. Determining disposition of real estate.

6. Selecting depositories and authorizing withdrawal signatures.

7. Appraising the association's performance as it affects the cooperative's public image.

8. Determining special premiums to be paid members. If a premium is to be paid in particular divisions, it is determined by the management and division level boards. If it is paid to all members, it is determined by corporate management and the association board.

9. Establishing or negotiating for contracts or arrangements for the collection and delivery of members' milk.

10. Determining the basic organizational structure of the cooperative to include periodic changes.

11. Introducing or modifying employee benefits or pension plans.

12. Authorizing overall wage scale changes.

13. Establishing the services to be performed, and equipment and supplies to be made available to members, along with appropriate financing programs.

14. Establishing an insurance program to include the selection of type and amounts of

insurance necessary to protect the assets of the cooperative.

The association board directs and controls the activities of the general manager through established policies, directives, and bylaws; and it directs and controls all cooperative personnel through the general manager.

**Association Board Committees**—As a horizontal extension of the association board of directors there are several board committees: 1) finance, 2) marketing, 3) membership and public relations, 4) management evaluation, and 5) executive. These committees are composed of association board members. Members of management attend in an advisory capacity. These committees have no decisionmaking authority, serving strictly in an advisory role for the full board. Members are appointed by the association board president. Typically, committees meet prior to monthly association board meetings. The minutes are read at the meeting of the association directors. Time is provided for discussion, debate, and approval or disapproval of issues related to the committee's business.

The finance committee meets prior to the association board's monthly meeting. It meets with management's corporate vice president for finance and accounting. The managerial representative prepares resource materials and plays the primary role in setting the agenda for the meeting. The committee's duties include reviewing and making recommendations to the full association board on financially related responsibilities (including oversight review). The committee, therefore, assists the full board primarily through its oversight in the following areas:

1. Reviewing and making recommendations on the cooperative's financial structure,

2. Approving or disapproving capital expenditures,

3. Establishing amounts and sources of working capital,

4. Establishing rules and regulations for the issue, transfer, retirement, and registration of certificates of indebtedness and other forms of capital funds,

5. Arranging for the bonding of employees,

6. Managing cooperative revenues with regard to reserves, patronage refunds, and equity retirement,

7. Determining disposition of real estate,
8. Selecting depositories and authorizing withdrawal signatures,
9. Establishing financing programs to members,
10. Selecting outside auditing services,
11. Recommending reimbursement levels for director expenses, and
12. Approving payment of internal legal bills.

As stated, the committee's role is strictly advisory. However, few recommendations are ever turned down by the full board. Committee members are appointed by the association board president. Ten to 15 members may sit on the committee. All must be association board members. Assignments are made each year after annual elections. There are no limits on the number of times a member may sit on the committee. The committee elects its own chairperson, vice-chairperson, and secretary. The management employee, while having a central role in the functioning of the committee, sits at the committee's pleasure, and has no voting rights.

The marketing committee typically has 10 members. Duties again are advisory to the association board duties. They include a range of activities involving oversight review and advisement on:

1. Marketing cooperative products,
2. Voting under Federal milk orders,
3. Relations with handlers,
4. Relations with processors,
5. Evaluation of plants,
6. Research and product development,
7. Relationships with other cooperatives,
8. Relations with health departments,
9. Development of quality programs,
10. Development of overall legislative policy positions to be pursued at various levels of government.

Other characteristics parallel the finance committee makeup. Meetings are held monthly prior to the association board meeting. Members are appointed by the association board president. They serve 1-year terms with no limit on repetition of terms. Management's senior corporate vice president sets the basic agenda for the meeting and serves as a resource for information and materials.

A third committee at the association board level is the membership and public relations committee. This committee's duties include oversight review and advisement on:

1. Monthly magazines to members and employees,
2. Dues, donations, and contributions over \$250,
3. Organization of annual and delegate, and other special meetings,
4. Organization and performance of field services to members,
5. Disaster benefits,
6. Establishment of relationships with other farm cooperatives and farm organizations,
7. Establishment of relationships in other organizations, associations, and federations,
8. Establishment of press and radio relations, and
9. Assessment of the association's performance as it affects its public image.

Again, meeting times, appointments, terms, and tenure parallel those of the previous two committees. Management's corporate vice president for member and public relations organizes, sets the agenda, and serves as a resource person for the meeting.

A fourth committee at the association board level is the management evaluation committee. Six directors, one from each division, sit on this committee. The committee meets four times a year to evaluate performance of the general manager. Members are appointed by the association president. This committee makes recommendations on the cooperative's management incentive program. This includes consideration of salary, bonus, and fringe benefits. Typically this committee will present its minutes for review, discussion, approval or disapproval at the executive session of one of the monthly meetings of the association board.

Ten association board members sit on the executive committee. They include the president, first vice president, secretary, treasurer, and one association director from each division. These latter six are officially titled association vice presidents. These members are also chairpersons of their respective division boards. While existing on paper, this committee is used very little. It meets at most once a year. It tends to be an ad



hoc body, handling issues that are assigned by the association board.

### **Delegate Body Authority and Responsibility**

Candidates for the association board of directors are nominated by division boards prior to the association annual meeting. Delegates may also nominate any member of their choosing at this meeting. Nominees stand for election by delegates at the annual meeting.

Delegates and delegate-alternates are elected at the district level. One delegate and delegate-alternate is elected for every 25 members in each district. Therefore, size of the body will vary year-to-year with changes in farmer-member numbers. Delegates and their alternates serve 1-year terms with no limits on the number of terms. Delegate-alternates serve only in the absence of elected delegates. The body meets during the association annual meeting, although other meetings can be called at the discretion of the association president. Besides nominating and electing association directors, delegates are also charged with approving or disapproving an annual financial report presented by management, approving or disapproving merger proposals, and discussing and approving or disapproving resolutions proposed by the association resolutions committee, as well as proposing, discussing, approving, or disapproving their own resolutions.

The delegate body does not have authority to change nor to approve or disapprove changes in the bylaws. All it can do is propose that bylaw changes be considered. The authority to change bylaws lies solely with the association board.

### **Resolutions Committee Authority and Responsibility**

Resolutions committees exist at two levels in the cooperative, at the division and the association levels. Each district elects one resolution committee person. Terms are for 3 years. All district resolutions members from one division form a resolutions committee. Therefore, six division resolutions committees exist in the cooperative. Each division board chairperson appoints a division board member to chair his or her respective resolutions committee. As stated previously, this chair has the responsibility for setting the time,

place, and conduct of the meeting, but has no voting rights. Operations vice presidents from respective regions, plus a member relations employee, also sit on this committee. They serve as advisers and resource people only. There is no official reporting to the division board.

Each division resolutions committee meets annually. During this meeting, committee members elect representatives to sit on the association resolutions committee. They are allowed to elect an equal number of committee representatives as there are association directors elected from their respective divisions. Therefore, 32 divisional resolutions committee members sit on the association resolutions committee. Association committee terms are for 1 year. There are no limits on the number of terms. The member president of the association appoints an association board member to chair the association resolutions committee. As at the division level, this chair organizes the time, place, and conduct of the meeting only. The position carries no voting rights. This person also sits in on each division resolutions committee meeting.

The association resolutions committee meets twice a year, once shortly after all division resolutions committees have met and again at the association annual meeting. The latter meeting is open to all members at the annual meeting.

Resolutions are formal written expressions of membership preferences. The role of the resolutions committee is to bring grassroots information to the association board/hired management level to help set broad guidelines on operational decisionmaking and director policy making.

In most cases, farmers who sit as delegates and resolutions committee persons have also attended an annual district meeting. As stated previously, several districts also hold one other meeting in the year for elected district representatives. These meetings help representatives gain understanding of member concerns. Resolutions committee persons then meet with their respective division committee. Information is exchanged and discussed, and previous resolutions are reviewed for possible changes. These results are then passed on to the association resolutions committee through the elected representative.

The association resolutions committee takes this input, discusses it, eliminates material that

is not of importance to the entire association, and formulates results into a booklet. (Some material is deemed of a “local” nature and is not included in the booklet. However these decisions are made with recommendation that such issues be brought up to the appropriate division boards.) It is important to note that management also sits in on these meetings. As with the other committees, management representatives serve in an advisory role. Their role in setting agendas for discussion is low key, however. Once formulated, the “Resolutions Booklet” is mailed to the elected delegates and delegate alternates prior to the association annual meeting. At the annual meeting, the chair of the association resolutions committee or the member president of the association presents the proposed resolutions to the assembled delegates. Delegates may propose additional resolutions not included in the resolutions booklet.

The delegates then may discuss, amend, and vote on the resolutions as presented. The association resolutions committee may reconvene at the annual meeting to discuss, amend, and propose resolutions that then go to the delegate body floor. This second meeting of the corporate resolutions committee is open to all members.

### **Timing of Cooperative Meetings**

Figure 6 presents the sequence of member control meetings that must occur in the cooperative. Member representation is based ultimately on districts. Scheduling beyond the association delegate annual meeting must ultimately begin there. Since changes in district boundaries will influence cooperative decisionmaking at very primary levels, redistricting committee meetings must be held prior to annual district meetings. The meeting must be held at least 30 days prior to commencement of annual district meetings. Elections can then occur, based on district areas delineated. Annual district meetings must be held not more than 150 days nor less than 30 days prior to the cooperative annual meeting.

After the annual district meetings, respective division boards must hold reorganization meetings to account for possible changes in division representation. Newly elected directors are seated, and division officers are elected, including a division chairperson, vice chairperson, and

secretary. These reorganization meetings must be held at least 60 days prior to the association annual meeting.

Resolution committee meetings cannot be held until all members of the respective committees have been determined by election. Therefore, division resolutions committee meetings cannot be held until after the completion of all annual district meetings. Similarly, the corporate resolutions committee cannot meet until the division resolutions committees have met. The corporate resolutions committee must meet prior to the association delegate annual meeting. There must be sufficient time to allow the resolutions booklet to be formulated, printed, and mailed for receipt by delegates and alternates at least 1 week prior to the association delegate annual meeting.

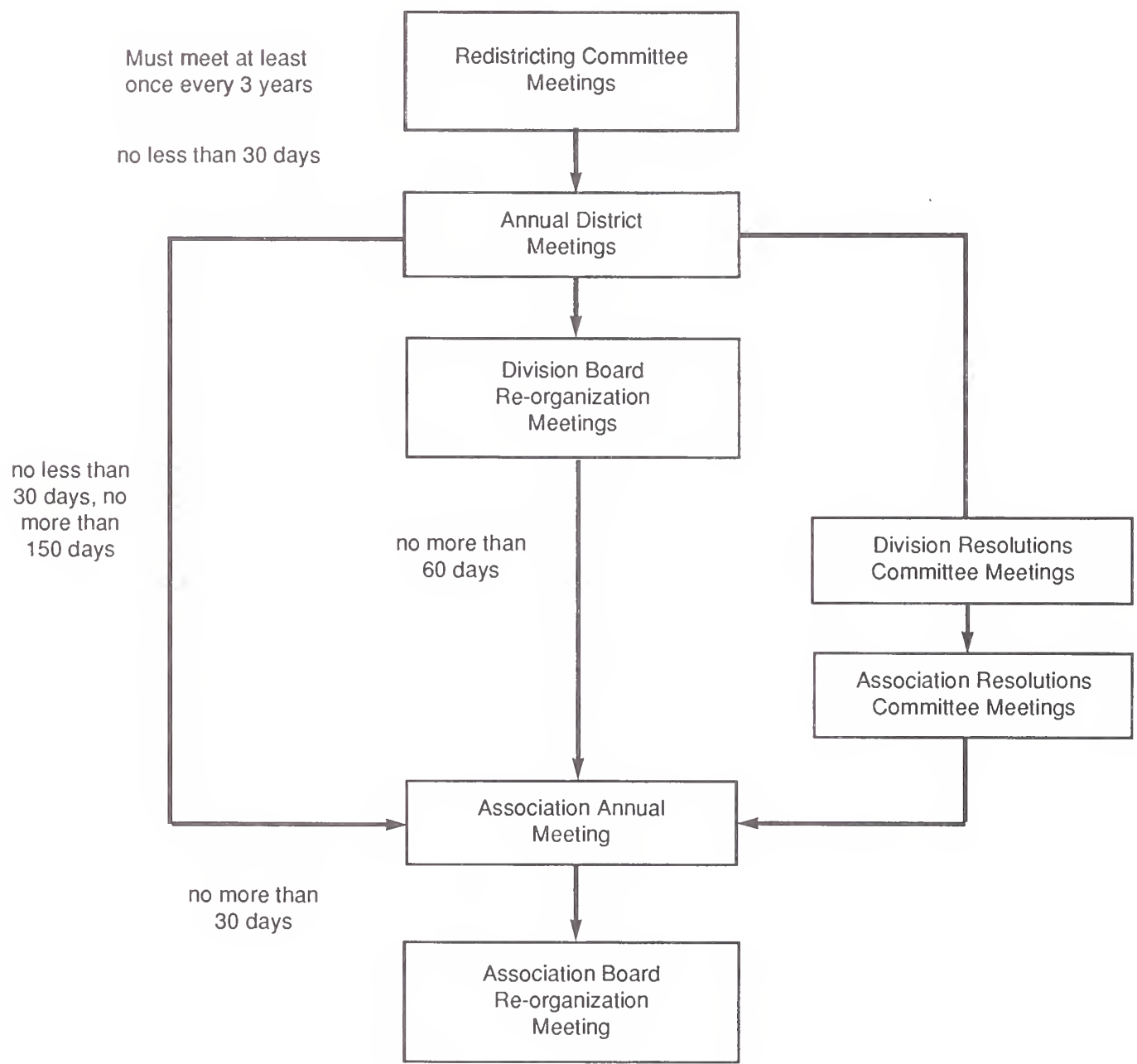
Within 30 days following the corporate annual meeting, the association board must hold a reorganization meeting for the seating of newly elected directors, and election of their own internal officers. These would include a president, a first vice president, additional vice presidents elected from the directors representing each division, a secretary, a treasurer and such additional assistant secretaries and assistant treasurers as the board may determine. Furthermore, each year the association board must determine the number of association directors to be elected to represent each division, not less than 40 days prior to the association annual meeting.

The previous sections described all elected and appointed membership positions, and meetings within the cooperative membership organization. Any producer-member is eligible to hold any elected position. Generally, association directors will come from the division boards, although it is not a necessity. If they so choose, delegates can nominate their own candidate for the association board at the annual meeting. Association resolutions committee member is the only elected position where the general member does not have direct access to election mechanisms.

### **Member-based Subsidiaries**

Three cooperative subsidiaries are closely related to the board committees at the association level. These subsidiaries are independent corporations

Figure 6—Sequence of Member Control Meetings





but are wholly owned by the cooperative. Each holds a board meeting in conjunction with the monthly association board committee meetings. These subsidiaries are 1) Finance Subsidiary, 2) Cooperative Relations Subsidiary, and 3) Product Sales Subsidiary (see figure 4).

The board of Finance Subsidiary is composed of the farmer-members of the association finance committee. This subsidiary borrows money and makes funds available as loans to cooperative members, haulers, and other subsidiaries and operational affiliates. Loans are underwritten by the cooperative.

The board of Cooperative Relations Subsidiary is composed of farmer-members of the membership and public relations committee of the cooperative. This subsidiary functions to offer members a comprehensive group health and life insurance plan.

The board of Product Sales Subsidiary is composed of farmer-members of the marketing committee. All dairy farmers are assessed a 15-cent-per-hundredweight charge for promoting milk and dairy product consumption. Product Sales Subsidiary, Inc. receives these funds from member-producers (as well as from non-members) and determines their disbursement among various bodies charged with dairy promotions. Disbursements are made to the National Dairy Board and other regional or locally qualified promotional entities.

The subsidiary boards meet immediately prior to the association board monthly meeting, and report their minutes. However, unlike the parallel association committees, actions of these subsidiaries are final. The association board has no authority to rule on the respective minutes or to direct actions.

The first association board meeting after the annual meeting is the reorganization meeting. New association directors are seated and committee assignments are made. When these assignments are made, the parallel subsidiary boards are simultaneously created. The association board votes on the positions, but the vote basically ratifies the assignments. The subsidiary boards then elect their own internal officers. While subsidiary minutes and actions are not subject to association board approval, subsidiary board members are subject to recall or to not being

reappointed. The management personnel who sit on the parallel association committees also sit with the subsidiary boards. However, as with the committees, the managers serve an advisory and resource function.

### **Managerial Responsibilities**

The membership has also made several delegations of authority to the hired management. In a sense, these delegations add to the environment of the membership. They simplify what the membership must deal with directly in the marketing of milk. However, management and its authorities represent a contingent environment the membership structure must accommodate. Specific duties and responsibilities delegated to management include:

1. Directing the ordinary and usual business operations of the association, such as the purchasing, marketing, and handling of all products and supplies.

2. Conducting the business in such a manner that all members will receive just and fair treatment so far as practical.

3. Directing all money belonging to the association to be deposited in the name of the association, in a bank or banks, selected by the board.

4. Directing all disbursements by check to be made for the ordinary and necessary expenses of the business.

5. Directing all maintenance of records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time.

6. Directing the preparation of and rendering of annual and periodic statements in the form and in the manner prescribed by the board.

7. Ensuring that all books, documents, correspondence, and records of whatever kind pertaining to the business that may come into its possession, are carefully preserved.

8. Determining duties, wages or salaries, and work performance appraisals of all hired personnel.

9. Authorizing the selection or removal of all hired personnel. Counseling with the board on the selection or removal of operations managers.



10. Engaging professional consultants and services necessary to the normal operation of the organization.

11. Establishing the basic pay prices for milk.

12. Establishing the selling price for products and service of the company.

13. Directing and controlling the proper maintenance of plant facilities and equipment, excluding large expenditures for replacing major items.

Structurally, management has taken these delegations, divided tasks, and coordinated them as laid out in appendix figure A.

This management structure and its authorities represent one of the two major environments of the membership control structure. The second environment is the members themselves. The following section will examine the membership control structure in terms of its formal organization. It seeks to answer the question: How is the structure organized to account for degrees of complexity and stability or instability in its environments?

## ORGANIZATIONAL VIEW

This paper uses a contingency theory perspective. This perspective holds that the shapes which organizational structures take are heavily influenced by environmental conditions surrounding the organization.

### Dairy Farm Environment

The dairy farm environment has consisted of several different conditions and historical trends. Since the commercialization of milk production, dairy farmers have, in general, been quite certain about their objective: To produce and market milk such that all milk offered for sale is sold year around, and at a price that at least preserves farmers' life style. Realization of those objectives has been difficult given the characteristics of milk and milk production, including: 1) the bulkiness and perishability of fluid milk; 2) seasonal variation in milk production; 3) opposing seasonal variation in consumer demand for milk; 4) constantly increasing productivity of milk production; and 5) continuing problems with milk supply surpluses.

The characteristics of milk, and the nature of the market, position the individual farmer at a severe disadvantage in the marketplace. Many farmers have attempted to offset these market disadvantages by forming dairy cooperatives. Using this approach, farmers themselves address many of these marketing problems through their organization: Reserves must be available to meet peak demands. Demand/supply market balancing functions must be done in local markets and related markets in close proximity. There must be outlets for surpluses during slack demand periods. The manufacturing of butter, powder, cheese, specialty products, etc., is necessary to provide additional outlets for milk, and to maximize milk's ability to be stored and transported.

Increasingly farmers have assumed responsibility for these activities. However, moving into the market in this manner presents myriad problems and situations beyond the farmer's experience and training. The farmer is placed directly into an extremely complex and, at times, unstable environment.

Dairy farmers responded organizationally by making fundamental delegations of authority to the management of their respective dairy cooperatives. These delegations simplified the farmers' direct involvement, shifting much of the complexity and instability of marketing milk into a professional management domain.

In terms of membership decisionmaking, the above delegations become part of the environment of the membership organizational structure. The cooperative organization (as stated previously) becomes departmentalized into two broad divisions; an operations or methods division, and a direction and goal identification division.

Organization of membership structure must therefore account for two broad contingent environments, farmers and management. It must account for complexity and stability or instability in those environments.

Structural strategies taken to address these conditions were shown in table 1. They include departmentalization, delegation of authority, job specialization, standardization, and ad hoc communications options. This section examines how the membership structure has been organized to be responsive to the membership environment and the management environment.

## Membership Environment

The cooperative in question has very little data on characteristics of its membership. However, what is known is that 10,000 members are spread over 12 States. This suggests some rather severe problems of quantitative complexity. How does one organize that many members spread over that large an area? Some form of departmentalization is in order (refer to figure 4 and table 1).

**Departmentalization—Horizontal Differentiation:** One finds considerable geographic departmentalization in the membership structure, e.g., 131 geographic districts, 6 geographic divisions, 6 geographic redistricting committees, and 6 geographic division resolutions committees. Each of these departments is separated from like departments by geography and membership. Each has parallel authorities applicable only to its respective geographic areas.

Each district is responsible for providing a forum for information exchange relevant to district concerns. Each redistricting committee is responsible for aligning boundaries in an equitable fashion for respective districts. Each division resolutions committee is responsible for providing a forum for the development of grassroots resolutions from their respective geographic divisions. Each division has a series of responsibilities involving:

1. involving members and farmers;
2. participating in local organizations;
3. retiring equities of deceased members;
4. authorizing administration of employee relations programs;
5. supervising milk collection;
6. supervising milk marketing;
7. supervising press and radio relations;
8. developing plans for legislative activities;
9. supervising publication of communications materials;
10. voting under Federal Milk Marketing Orders, and
11. accepting such other responsibilities that may be assigned to division board of directors by the association board of directors.

While divisions have a breadth of responsibilities, these responsibilities are applied individually on a division basis. These geographic

departments help simplify the task of organizing information (and points for information exchange) for the widely scattered membership. Locational departments homogenize geographic diversity. They simplify it. Each similar department performs the same function but in different locations.

Departments also occur in the structure by function. Under this logic, separate divisions of labor (with separate authorities) are created. Tasks performed vary from one department to another. Members come from common geographic areas, but different things are done from department to department. By function, the association resolutions committee, the association board of directors, and the delegate body exist as departments. Each holds the entire cooperative membership as its constituency. Each performs unique functions like no other department in the structure. The resolutions committee and the delegate body have rather narrow tasks, while the responsibilities of the association board are extremely broad and far-reaching.

**Vertical Differentiation:** The many geographic departments cited previously string the organization out into several sub-units. A major part of the strategy for structuring is to provide coordination and integration through overhead delegations of authority. "The solution to the (design) problem is one of choosing a structure that balances the benefits of specialization [and departmentation] against the costs of coordination" (Van De Ven p. 105). Coordination is a function that must be performed for organizational survival. Among the functions of the association board and the association resolutions committee, a major one is to help effect integration. These bodies help organize and coordinate activities from the several geographic departments.

The association resolutions committee coordinates, organizes, interprets, and presents resolutions statements to the cooperative organization, synthesized from the six geographic division resolutions committees. No other committee or elected body is specialized in this function.

The association board organizes, directs, and integrates activities of the six divisions. Similarly, no other body performs these tasks. Its constituency, as with the resolutions committee, is the entire cooperative organization. Its impor-



tance in bringing shape to the rest of the organizational structure cannot be over-emphasized.

The delegate body is an organizational department differentiated from other departments by function. Its tasks are to select policy makers and place them in office, and to rule on suggested policy directions (resolutions). No other body performs these tasks. Its constituency is the entire membership. It helps organize and coordinate interests of the 10,000 members.

**Alternative Communications Channels:** Horizontal departments in the cooperative were created to handle member numbers and geographic diversity (districts, divisions, redistricting committees, etc.). Vertical levels (association board, association level resolutions committee and even division boards) were necessary for coordination and direction of the horizontal departments. This structuring creates a pyramid-shaped hierarchy of departments that can itself inhibit communication and coordination. This is particularly the case with the district meeting, division/association board hierarchy. The individual member must go through several levels to reach significant centers of decisionmaking. The delegate and resolutions paths (as departments, but also as alternative communications paths) are structural innovations to help offset individual member distancing.

Referring back to figure 4, the delegate body is placed above the association board of directors. Delegates do not represent a fourth level of decisionmaking and coordination above the association board. However, in a loose sense, they do organize the board by virtue of nominating and electing board members. The body is also placed above the association resolutions committee by virtue of bringing grassroots judgments to the resolutions process. As such, the delegate body provides an alternative to both the district meeting/division/association board hierarchy and the resolutions substructure. Grassroots information can be brought to bear directly on the association directors, association resolutions, and thereby, policy.

The resolutions committee substructure is a second path that partially bypasses the district division association board hierarchy. This substructure, as previously discussed, is composed of seven departments, including the six geographic division committees and the over-arching

coordinating association committee. Like the delegate body, these departments provide an alternative for information exchange. Division resolutions committees do not report to respective boards for approval. However, it is important to note that the association board is not bound to follow resolutions. The board is the final interpreter of the resolutions presented.

**Job Specialization**—Specialization is a second organizational strategy responsive to environmental complexity. Individuals are specialists when a small number of rather narrow tasks and problems occupy most of their working time. Individuals who fill these positions generally have advanced training or unique qualities and information not broadly available but critical to organizational goals. Typically, specializations occur within departments where no additional authorities or activities are given to the position beyond what occurs within the departmental boundaries.

Specializations generally occur in response to technical complexity in the organizational environment. Technical (or qualitative) complexity is defined as problems or procedures of such an intricate nature that highly trained experts or specializations are required to handle them in an efficient and judicious manner. The limiting factor is access to necessary information.

Reviewing the membership structure in figure 4, specializations occur at both the division board and the association board levels. The division board level is specialized by hauling committees, quality premium committees, and board audit committees. The association board is specialized by the marketing committee, the membership and public relations committee, the management evaluation committee, the finance committee, and the executive committee.

**Specializations for the Member Environment:** At the division level, the hauling committees and the quality premium committees are primarily responsive to the membership environment.

Division boards are charged with supervision of their respective milk collection systems. Such supervision includes relations with haulers, the assignment or removal of haulers, the establishment or changing of haulers' rates, and any other activity dealing with the collection

of milk from individual members. Hauling is an extremely critical service. Members must have their milk picked up in an efficient and reliable fashion. Since the service is so critical, some divisions have decided to specifically allocate times and meetings to handle hauling issues. Perhaps no one is more expert on actual services rendered in hauling than the members themselves. The specialized hauling committees, with all members on a route as members, are able to gain first-hand, grassroots information. Problems that occur can be quickly voiced and possibly resolved. Divisions that have only directors sit on the committee specifically assign duties dealing with hauling to those directors, ensuring problems and issues will be handled. The specialization is done in response to the qualitatively important nature of hauling itself.

The division boards are also charged with “initiating and supervising a day-to-day milk marketing program, including, but not limited to, relations with handlers, relations with the health department, the initiation and supervision of a quality program, and other activities consistent with a regular marketing program for fluid milk.” Some division boards have read these duties as including initiation and supervision of a quality premium milk program. Premium payments, like milk pickup, strike at a fundamental cooperative issue.

Obviously, members must sell their milk to be paid for it. Equality and equity, if handled unevenly, can split a cooperative. In a cooperative, questions will always be raised concerning the fairness of some members receiving premium payments for milk and others not. By assigning directors to specifically handle premium quality issues, the cooperative can help ensure that program makeup has member support.

At the association board level, the membership and public relations committee is largely, though not solely, oriented toward the membership environment. The association board is charged with: “Establishing the framework and procedures for the conduct of the annual meeting or special meetings and the development of a comprehensive ... member relations program.” This committee, therefore, is concerned with advisement on monthly magazines and information to members, organization of annual delegate

meetings, other special meetings, and disaster benefits.

These duties directly affect members in important and critical ways. Members must have information. This is fundamental to the support of cooperative principles. Meetings must occur such that they are responsive to member time and location needs. Members must have direct consideration of issues. Each of these duties, when specialized to a committee, ensures they will be dealt with and not lost in the series of other responsibilities held by the association board. Creating committees gives priority to issues, allowing farmer-members time to carefully weigh, consider, and respond as appropriate.

It is important to note here that no committee in the cooperative works entirely without regard to other environments. Duties often can become split in terms of responsiveness to members or management. The duties specified above tend to be structured primarily in response to the member environment. Other job specializations within the membership structure are primarily in response to management. Others are responsive to both.

***Structural Design for Stability***—Standardization is a third strategy of organizational structuring. When a cooperative works in a stable environment, the time and nature of demands that present themselves are basically known. Standardizations can occur. Recall, “Standardization is the extent to which organizational activities are routinized.” Examples are strict rules, formal meetings at prescribed times, and standard operating procedures.

Members in this cooperative, as in most dairy cooperatives, have increasingly delegated authorities to hired management. These delegations have had the effect of removing farmers from the direct, highly volatile market environment. While communication with the farmer is extremely important, particularly for policy-related issues, it generally is not critical to short-term, extremely quick information needs necessary to avert major cooperative problems, dilemmas, and losses (as well as gains). As such, considerable standardization can occur. Positions can be created with duties specified. The time and frequency of meetings can be specified. Structures can be created and committees



formed. All of these characteristics represent standardizations in the case study dairy cooperative. In fact, standardization is required so members can plan on attending meetings and know their respective roles.

**Structural Design for Instability**—Unfortunately, events in a membership environment are not always predictable. Stability is a matter of degree. It is not always clear to elected members what decision is in the general membership's best interest or preference and what is not. Yet, changing events may demand a quick and timely response.

Strategies may therefore be necessary to enhance general membership input on short notice, between formally organized meetings. Options for general membership communication exchanges on a short-term basis need to be made available. In the study cooperative, options included the ability of the (1) association board president to call additional meetings and to form ad hoc committees beyond those specified in the bylaws, (2) division board chairpersons to call division board meetings and form ad hoc committees beyond those specified in the bylaws, (3) redistricting committees to meet with as few as 50 member signatures, (4) delegate body to meet more than the one specified annual meeting, and (5) of the districts to meet more than the one specified annual meeting.

As a matter of course, the association board holds two additional monthly meetings beyond the 10 specified in the bylaws. Most division boards hold near-monthly meetings beyond the four specified. Many districts hold an additional meeting of officers beyond the annual district meeting. In addition to these member assemblies, cooperative management occasionally includes survey cards in various cooperative publications, to assess member positions on current issues. These various options add flexibility to the membership structure, making it more responsive to possible instabilities in membership environments.

## Managerial Environment

The second environment to which the membership structure must be responsive is management. Dairy farmers have made several funda-

mental delegations of authority to a hired management and operations team. These delegations simplify farmers' direct environment, shifting many of the complexities of marketing milk into management's domain. In terms of membership decisionmaking, management becomes part of the environment of the membership organizational structure. The cooperative organization in effect becomes departmentalized into an operations and methods division and a direction and goal identification division.

The membership structure must therefore account for complexity, and stability or instability not only in the farmer-member environment, but in the management environment as well. The stated philosophy of the management section of the case study cooperative "is to find markets for the members' milk." The cooperative executive officer states, "Our members' primary concern is a guaranteed market for their milk at the highest prices possible. ...Given production surpluses, the first order of business is bringing large volumes of raw milk to market. Given that goal, we have an interest not only in raw milk marketing but in fluid milk processing, as well as manufacturing" (Landers & Honer). These goals lend a highly complex and diverse character to management operations.

Members' milk goes into a diverse and quantitatively complex number of products that include not only Grade A milk for consumption, and various processed fluid products, but also a range of manufactured products. These products include: Cheddar cheese, whey protein, reduced mineral whey, Colby cheese, lactose, condensed whey, cottage cheese, sour cream, yogurt, sweetened condensed milk, butter specialty products, dried whey, dried buttermilk, Mozzarella cheese, cream, Swiss cheese, specialty type cheeses, non-fat dry milk, whipped butter, shredded cheese, condensed skim milk, dried specialty products, Provolone cheese, brick cheese, stirred curd, Muenster cheese, Romano cheese, long shelf-line products, half and half, Monterey Jack cheese, butter oil, dried acid whey, coffee creamers, whipping cream, infant formula, popcorn whey, specialty dehydrated products, processed cheese, nutritional formulas, and anhydrous milk fat. The cooperative also packages butter and has cheese cutting and packaging operations.

Technologies being addressed by the cooperative's professional research staff include:

1. Continuous in-can sterilization.
2. Hard cheese manufacturing technologies, with special emphasis on new equipment and concepts that will produce better flavored, more uniform cheese varieties that conform to changing consumer needs.
3. Custom-dried food ingredient research that creates new flavors and uses for dried cheeses, cultured products, and other milk solids in bakery products, snack foods, and other prepared foods.
4. Ultra-pasteurization for long-life cream products manufactured by the cooperative.
5. Whey product processing technologies and research designed to keep pace with rapidly changing methods of whey utilization.
6. Lactose production technology to maintain the cooperative's status as one of the larger lactose-from-whey producers in the United States.
7. Drying techniques as applied to the organization's custom-dried food ingredient business.
8. Raw-milk handling methods, which are continually upgraded to enhance milk quality and cost savings.

The cooperatives' management structure consists of four regional operations, each headed by a general manager. This individual is responsible for member relations, milk marketing operations, and processing activities within that region. Each general manager reports directly to the cooperative executive officer and is part of the overall management team. The management team includes these employees plus four other employee vice presidents—finance, member relations, marketing, and government relations. Further, "because research and development play such an integral role in the day-to-day profit-making ventures of the cooperative, the research department is in constant contact with top management" (Landers & Honer, p.77).

The operational problems of handling, processing, and marketing the many products are enormous. Technological sophistication, diversity in products, location, and market, and the sheer quantity of milk to be commercially disposed of, place the operational aspects of guaranteeing a market well beyond the training and

everyday experience of most farmers. How are these contingency problems handled in the organization of the membership structure?

#### ***Job Specialization for the Managerial Environment—***

At the association board level, four specializations are used to handle the management complexity presented to members. These specializations are the (1) finance, (2) marketing, (3) membership and public relations, and (4) management evaluation committees.

In reviewing the duties of the association board, it may be seen there is tremendous variability in the number of tasks requiring director action. By specializing, priority is given to specific issues, allowing farmer-members time to carefully weigh, consider, and respond as appropriate. These committees are not departments. They are not elected with separate authorities independent of the overhead association board. They are part of the board and serve solely an advisory function.

It is important to note that management has created its own internal departments of finance, marketing, member and public relations, and government relations to help simplify its own complex environment. These departments come with highly technical tasks and require highly trained experts.

Design of the membership structure, and in particular, the specializations within the association board, are directly responsive to these managerial departments. Managerial executive vice presidents sit on the respective board committees as advisers. They bring their expertise and first-hand experience to the board members. The board members bring their member orientation and experiences to the respective committees. Job specialization allows time for learning, teaching, evaluation, and advisement.

The management evaluation committee is specialized to its named tasks. It allows board members time to determine methods of assessment, and assessment of the managing cooperative executive officer.

To be responsive and adaptive to management issues, the speed with which decisions are made is of utmost importance. Job specialization within the association board structure is an appropriate structural strategy under these circumstances. Members often lack skills, experi-



ences, and time to directly address the range of tasks the association board must address. Managerial decisions often have critical time limits. By specializing within an existing department, i.e., the association board, authorities are in place. Limits on committee size and tasks can speed up consideration of issues. Specializations parallel to management departments, i.e., finance, marketing, and membership and public relations, help ensure membership contact and influence on critical issues in managing operations.

**Dual Environment Committees:** Design of the finance, marketing, and management evaluation committees tends to be in response to the technically complex characteristics of management. The membership and public relations committee is responsive to management as well. However, the latter committee tends to be more oriented to the member environment than are the other three committees. The managerial vice president of membership and public relations is responsible for a 115-person field team. The team provides various services to members. According to cooperative documents, the field person "should be readily available with information and advice on dairy equipment, supplies, chemicals, health regulations, transportation, quality control recommendations, and most nearly any other subject dealing with modern dairy farm management."

The managerial vice-president of membership and public relations sits (in an advisory fashion) on the membership and public relations board committee. The committee is positioned to bring immediate member information to management (rather than more operational issues such as finance, marketing, etc.).

Other committees have sizable components that are largely responsive to both environments. The hauling committees invariably have management people sitting on them. While these committees are primarily oriented to member complaints, the actual hiring and firing of haulers is done by regional management. A similar situation exists with the quality premium committees. While the committees are structured for member communication concerning the make-up of their quality program, implementation and measurement are done by management.

**Design for Stability and Instability**—The membership structure must also be organized to account for stability or instability in its managerial environment. To the extent managerial activities can be standardized, they are specified in their delegated and shared duties. These are broad operating policies necessary to run a business. In addition, management is provided annual guidelines stemming from the resolutions process. Some flexibility is also added to this standardization, with the attendance of managerial representatives, at resolutions committee meetings.

However, management must deal with the uncertainties of surplus milk marketing in a regional and national arena. To pursue its duties diligently, management at times needs to access the membership structure in a less than predictable fashion. Several means are available:

1. Monthly meetings of the association board help improve flexibility. These meetings are standardized, but frequent enough to keep management and the board in contact.
2. The association board president may call a special meeting of directors at any time or form an ad hoc committee to handle special problems.
3. The little-used executive committee is available for consultation if needed. Committee size is small and there is representation from each division.
4. Division-level managers also attend and give reports.

The above organizational strategies address basic uncertainties in the membership structure's two major environments (farmer-members and management).

## CONCLUSIONS

This report sought to outline structural innovations a large centralized dairy cooperative used to handle complexity and stability or instability in its environment. These innovations were structured within a particular historical context that necessitated certain organizational choices. Large, centralized dairy cooperatives have tended to result with these choices, requiring, in turn, accommodations within the membership structure. This final section briefly reviews historical conditions existing in dairy production and summarizes previous sections of the paper.



## Historical Conditions

The historical market conditions facing dairy producers stemmed largely from the characteristics of milk and milk production itself. These conditions of perishability, variability in supply and demand, production growth, and surpluses placed the individual farmer at a severe disadvantage in the marketplace. Processors and manufacturers had the potential advantage to dictate prices and refuse acceptance of producers' milk.

Farmers attempted to offset their market disadvantages by forming dairy cooperatives. In doing so, farmers assumed responsibility, through their cooperative organizations, for resolving many of the problems of milk marketing. This included balancing the supply of milk which varies seasonally and daily to meet demand. To do this, reserves had to be made available to meet peak demands. Outlets for market excesses above slack demand periods had to be found. Demand/supply market balancing functions within local markets and between related markets in close proximity were required. The manufacturing of butter, powder, cheese, and specialty products frequently had to be undertaken to provide additional outlets, as well as to maximize milk's ability to be stored and transported. These problems necessitated the emergence of large complex organizations and, with them, modification of membership organization provisions.

## Summary

Design and maintenance of effective organization is one of the most critical problems facing large cooperatives. How are thousands of members to be organized in some fashion that is workable for cooperative purposes? How is members' voice as participants in the decisionmaking of the cooperative to be coordinated? These are new problems for many large cooperatives, unlike those faced by smaller organizations of the past.

The organizational contingency view outlined in this paper holds that structuring must occur in accordance with environmental conditions. Conditions of particular importance are complexity, and stability or instability. Quantitative complexity refers to the sheer number of problems that must be handled by the

organization, no one problem requiring expert skills, but the number of problems being of such magnitude that they present a confounding mixture for any one person to handle. Technical complexity refers to the technical aspects of a problem. Stability or instability refers to the ability or inability to predict future situations. Stability is a function of the speed with which change in the environment occurs. When a cooperative works in a stable environment, the time and nature of demands that present themselves are fairly predictable in character and occurrence. In an unstable environment, events occur rapidly and may be unpredictable.

If information demands are so large that members cannot process them (quantitative complexity), or technical members lack skill or time to figure them out (technical complexity), or if demands change so rapidly a timely response is impossible (instability), the organization may fail. To offset these problems, certain structural strategies may be necessary. These strategies include creating departments to handle quantitative complexity, job specializations to handle technical complexity, delegations of authority to handle both, and various communication alternatives to handle instability.

Structure is the sum total of ways members are divided up and coordinated. In the case cooperative, four distinct vertical levels of membership representation were identified (districts, divisions, an over-arching cooperative board, and a delegate body), along with several horizontal specializations within each level (hauling, quality premium, and audit committees at the division level, and finance, marketing, membership, evaluation, and executive committees at the cooperative board level).

From an organizational view, the shape of the cooperative membership structure was the result of contingencies in two environments: membership and management. Membership was found extremely diverse in terms of location: 10,000 members spread over 12 States. To account for this quantitative complexity, departments were used and were based on geographic location of members. As such, districts, divisions, resolutions committee makeup, redistricting committee makeup, and the delegate body all had a base in the geographic location of con-

stituent members. Delegations of authority were used as well. The management environment was found highly technical. To adjust to managerial levels of expertise, member job specializations were used, particularly at the association board level, and usually within departments.

Concerning stability and instability, policy input from the membership is broad, and not minutely critical to daily operations. While change does occur, it is relatively slow. Therefore various meetings and policy mechanisms (e.g., the delegate-resolutions process) can be planned and scheduled well ahead of time.

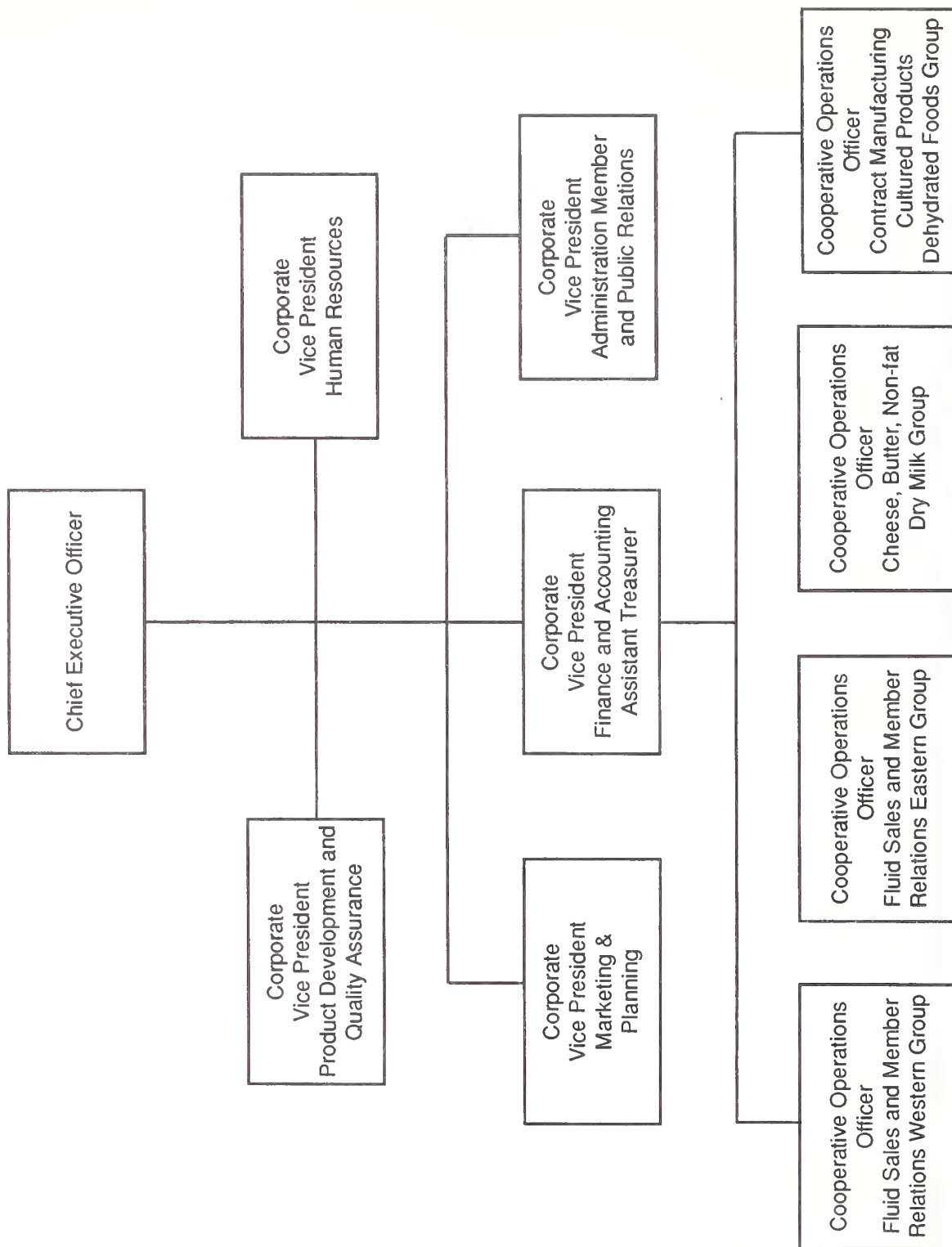
Managerial decisionmaking, as an environment to the membership structure, is much more tentative, requiring more timely and more rapid dispensation. This can be handled, in part, with ad hoc meeting provisions. Chairpersons may call meetings at any time. Less flexible though at least frequent, the association board meets monthly. Committee formation at the association board level corresponds to management committee structure. To avoid guesswork, specific responsibilities are assigned and time allocated to critical issues.

Several avenues were found for member input into decisionmaking. The dominant structure, most inclusive of the entire membership, was the district meeting/division/cooperative board structure. However, this layered structure tends to distance grassroots input. To help offset distance, the delegate-resolutions structure is used. This structure bypasses the district meeting and the division and association board hierarchy, and provides an alternative avenue for member input into policymaking. In effect, members have three paths for communication: (1) districts, divisions, association board; (2) division resolutions committees, corporate resolutions committee, association board; and (3) delegate body, resolutions, association board.

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## Appendix A—Operations Structure







**U.S. Department of Agriculture  
Agricultural Cooperative Service**  
P.O. Box 96576  
Washington, D.C. 20090-6576

Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1 ) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

ACS publishes research and educational materials and issues *Farmer Cooperatives* magazine. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, age, marital status, handicap, or national origin.